AHIP Testimony on HB 5479
Connecticut Committee on Human Services – March 13, 2012

I am Brian Quigley, Regional Director for America's Health Insurance Plans. AHIP is the national association representing approximately 1,300 health insurance plans that provide coverage to more than 200 million Americans. Our members offer a broad range of insurance products, including major medical, long term care, disability income, dental, vision, specified disease and other supplemental coverages. I appear today for the Connecticut Association of Health Plans to indicate our strong opposition to HB 5479, An Act Concerning Accountability Of Insurers To Consumers.

Connecticut has a competitive individual health coverage market. Unlike many of the surrounding states, which have chosen to excessively regulate the individual market, Connecticut has had a relatively stable, more affordable individual market, despite high health care costs similar to its neighboring states. According to a recent AHIP survey of our members, the average annual single premium for an individual product in Connecticut was $3503. In New York, with more restrictive rating and underwriting rules, it was $6630, $3127 more. In Massachusetts, $5143, $1640 more.

More restrictive and cumbersome regulatory environments do not result in cheaper coverage. They destroy innovation in product development, discourage participation in the market and create a dysfunctional market. Where carriers see a regulatory environment that is significantly more cumbersome than other states, product innovation stops and products with increasing cost sharing become the norm.

With the development of the Exchange, the state should want to encourage carriers to participate in the market, not drive them away.

The new federal MLR requirements on health plans create higher administrative costs due to a variety of new reporting and compliance activities that go far beyond what plans previously were required to undertake. This has necessitated the creation of new information technology systems, contracts, and administrative compliance centers to address and manage the complexity of the new requirements. Plans have made these changes in the context of an 80% MLR requirement in the individual and small group markets. To increase that requirement essentially before it has even had a chance to work is premature and very disruptive.

The 85% MLR in this bill is well above the federal requirement. Oddly, this bill exempts not-for-profits or federally qualified cooperatives. The medical groups pushing this bill want their own groups to be exempt from the higher requirement that they would impose on the rest of the market. In Massachusetts, the not-for-profit carriers are subject to the same higher state MLR requirement as commercial carriers. The exemption here for the medical provider plans is not only unfair but it defies the logic of what goes into an MLR. A not-for-profit should generate a higher, not a lower MLR, since there is no profit included in their administrative expense. The much higher MLR requirement and the exemption are clearly designed to create an unlevel playing field, which will be very disruptive for the market.

A higher MLR does not mean there will be less expensive coverage. New York and Massachusetts have higher MLR requirements and, as pointed out above, their premiums are significantly higher than those in Connecticut in the individual market. This is no surprise, since an MLR requirement does nothing to address the real drivers of premium increases: soaring prices for medical services, costly new medical technologies, changes in the covered population, and the impact of new federal benefit and coverage mandates.

In considering the appropriateness of a higher MLR standard, states are obligated under the federal MLR rules to take into consideration whether such a change will ensure adequate market participation, competition in the market and value for consumers. It is premature to increase the MLR standard before the



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first federal MLR reports are submitted this June and before a proper study of the market impacts can be made using the results of those reports.

This bill also creates a new penalty, solely as to compliance with this requirement, that ignores the current regulatory structure in place and shows a lack of understanding of how insurance is regulated in this state. The bill calls for a penalty "up to and exceeding one million dollars" This wording is legally absurd. Insurers are subject to the unfair trade practices law, which sets out fines for non-compliance. There is no need for a separate and grossly excessive fine for this one issue. Fines under the current law start at $5000 and there is a maximum fine of $250,000. The Insurance Commissioner can also suspend or revoke a license. The penalty in this bill is clearly inconsistent with regulation in this state and is unworkable as written.

The 80% MLR standard was included in the federal law after over a year of careful deliberation.. There is no reason for Connecticut to try a different approach. It will only drive up the cost of writing coverage in Connecticut and force carriers to consider whether it makes sense to continue to compete in this market.

Imposing a higher MLR requirement has major potential to disrupt a market that is working. We urge you to reject HB 5479.

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